

## Message Text

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73

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 CIAE-00 INR-10 NSAE-00

RSC-01 L-03 TRSE-00 OPIC-12 AID-20 DRC-01 /079 W

----- 047678

P R 192059Z DEC 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 1778

INFO AMEMBASSY PORT

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E.O. 11652: N/A

TAGS: EIND, BDIS, EFIN, BL, HA

SUBJ: FARMABOL CASE

REF: LA PAZ A-268

BEGIN UNCLASSIFIED

1. ATTORNEY HATHORN TOLD EMBASSY MORNING OF DECEMBER 19 THAT NEGOTIATIONS LOOKING TOWARD SEETLEMENT OF SUBJECT CASE ARE GOING WELL AND THAT RESOLUTION OF DISPUTE MAY BE ACHIEVED QUITE SOON.

2. ON DECEMBER 17, AND AGAIN DECEMBER 19, CAPTAIN SANCHEZ, MANAGER OF QUININE FACTORY, ALSO TOLD EMBASSY THAT RESOLUTION SEEMS IN SIGHT.

3. SETTLEMENT REVOLVES AROUND LOAN OFFER OF US\$ 10 MILLION TO CAJA DE PENSIONES MILITARES BEING MADE BY HATHORN ON BEHALF OF A.S. NEMIR ASSOCIATES, WASHINGTON, D.C. OFFER IS BASED ON FIDUCIARY DEPOSIT RPT DEPOSIT AND IS SOMEWHAT DIFFERENT THAN OFFER DESCRIBED REFAIR. HATHORN CAME TO EMBASSY DECEMBER 14 AND SKETCHED OUTLINE OF OFFER TO AMBASSADOR AND TWO ECONOFFS AND PROMISED TO COME TO EMBASSY AGAIN AFTERNOON OF DEC. 19 TO PROVIDE FULL DETAILS OF OFFER, WHICH WILL BE TRANSMITTED TO DEPARTMENT. AS

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SKETCHED EARLIER BY HATHORN, FIDUCIARY DEPOSIT OFFER IS ALONG

FOLLOWING LINES: A.) AN INVESTOR, WHO WILL HAVE LOCAL COSTS, MAKES A FIXED TERM INTEREST BEARING DEPOSIT OUTSIDE BOLIVIA TO THE ACCOUNT OF THE BOLIVIAN CENTRAL BANK. B.) THE CENTRAL BANK THEREUPON ISSUES THE EQUIVALENT AMOUNT OF PESOS FOR IMMEDIATE LOAN AT LOCAL COMMERCIAL RATES TO INVESTOR. (USING DEPOSIT AS RESERVES, CENTRAL BANK MAY ALSO ISSUE ADDITIONAL PESOS FOR ANY USE IT DESIRES.) C.) DEPOSIT CONTRACT MAKES CLEAR THAT DOLLAR DEPOSIT IS TO BE CONSIDERED AS PROPERTY OF BOLIVIA FOR TERM OF DEPOSIT, BUT THAT ENTIRE DEPOSIT IMMEDIATELY REVERTS TO INVESTOR SHOULD BOLIVIA EXPROPRIATE INVESTMENT. D.) IN DEPOSIT CONTRACT, BOLIVIA IS NOT PROHIBITED FROM BORROWING AGAINST DEPOSIT IN ORDER TO ACQUIRE FREE RESERVES BUT DOLLAR DEPOSIT ITSELF CANNOT BE USED AS FREE RESERVES. E.) INTEREST PAID ON DOLLAR DEPOSIT IS SPLIT BETWEEN BOLIVIAN GOVERNMENT AND INVESTOR, WITH HATHORN'S FEE COMING OUT OF INVESTOR'S SHARE. F.) INTEREST PAID FOR LOCAL CURRENCY LOAN HAS EFFECT OF PAYING FOR DOLLAR DEPOSIT WHICH, AT END OF THE LOAN PERIOD, REVERTS TO THE INVESTOR. HATHORN SAID HE HAS AN INVESTOR, BUT DECLINED TO NAME HIM, AND THAT THE OFFER IS SIMILAR TO THAT TYPE OF TRANSACTION SOMETIMES TERMED A QUOTE SWAP ENDQUOTE. HATHORN SAID HE HAD ARRANGED A SIMILAR TRANSACTION IN HAITI INVOLVING A SUGAR REFINERY AND THAT OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) IS AWARE OF THE HAITI ARRANGEMENT.

4. CAPTAIN SANCHEZ SAID LOAN OFFER IS PRESENTLY BEING STUDIED BY CAJA AND MILITARY HIGH COMMAND IN ORDER TO FORMULATE RECOMMENDATION WHETHER OR NOT OFFER SHOULD BE CONSIDERED BY GOB, INCLUDING MINISTRY OF FINANCE AND CENTRAL BANK. END UNCLASSIFIED.

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5. IN DISCUSSING NEGOTIATIONS, BOTH HATHORN AND SANCHEZ HAVE GIVEN EMBASSY IMPRESSION THAT HATHORN HAS PUT A LITTLE DISTANCE BETWEEN HIMSELF, LOAN OFFER AND A. S. NEMIR ASSOCIATES ON ONE SIDE AND FARMABOL'S U.S. PRINCIPALS ON THE OTHER SIDE. (FYI: HATHORN HAS GIVEN BOTH EMBASSY AND SANCHEZ IMPRESSION THAT IF LOAN WORKS OUT, HE WOULD UNDERTAKE TO SETTLE LIMITED OFFICIAL USE

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WITH FARMABOL'S U.S. INVESTORS. END FYI).

6. COMMENT: INFORMALLY, EMBASSY HAS COUNSELLED SANCHEZ THAT RESOLUTION OF FARMABOL DISPUTE IS IN THE INTEREST OF ALL, THAT PROPOSALS MERIT CAREFUL STUDY AND THAT GOB SHOULD MAKE INDEPENDENT INQUIRY INTO BACKGROUND AND ANTECEDENTS OF HATHORN AND A.S. NEMIR ASSOCIATES. END LIMITED OFFICIAL USE.

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7. ACTION REQUESTED. FOR OUR USE, PLEASE PROVIDE ALL  
POSSIBLE INFORMATION, INCLUDING DUN & BRADSTREET REPORT,  
ON BOTH HATHORN AND NEMIR FIRM.

8. FOR PORT-AU-PRINCE: PLEASE FURNISH US WITH ANY DETAILS  
AVAILABLE ON TRANSACTION, AND/OR BACKGROUND ON HATHORN  
AND/OR NEMIR. DECONTROL DEC. 31, 1974.  
STEDMAN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LITIGATION, LOANS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LA PAZ  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1973/newtext/t19731216/aaaaalrm.tel  
**Line Count:** 125  
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**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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**Review Authority:** golinofr  
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**Review Content Flags:**  
**Review Date:** 16 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16-Jan-2002 by martinjw>; APPROVED <06-Feb-2002 by golinofr>  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FARMABOL CASE  
**TAGS:** EIND, BDIS, EFIN, BL, HA, A S NEMIR ASSOCIATES  
**To:** STATE  
**Type:** TE  
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